

HAVE YOU FILED THE 1997

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District of Columbia Government
Office of Tax and Revenue

1997

**CORPORATION
FRANCHISE TAX BOOKLET**

CONTENTS:

Instructions • Corporation Franchise Tax Return – D-20 • Application for Extension to File – FR-128

Peel off the label and place it on
the address area of the return,
Form D-20. If information on the
label is incorrect, make the
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CORPORATION FRANCHISE TAX RETURN

GENERAL INSTRUCTIONS

IMPORTANT

The corporation franchise tax rate is 9.975%.

All items in Form D-20 must be completed, otherwise, the return will be sent back to you. Do not use phrases such as "see attached schedule."

A. CORPORATIONS REQUIRED TO FILE A FRANCHISE TAX RETURN: Generally, every corporation (including small businesses, professional and S corporations) carrying on or engaging in any trade, business or commercial activity within the District or receiving income from District sources, including activities in the District that benefit an affiliated entity of the taxpayer is required to file a franchise tax return, Form D-20, unless the right to exemption has been established. Whether a corporation is carrying on or engaging in a trade or business within the District is determined by the nature and extent of the corporation's activities within the District conducted by its own employees or through agents or other representatives.

Corporate general partners and corporate limited partners of a partnership that files the unincorporated business franchise tax return are considered to be engaging in a trade or business and will be required to file a return. Line 24 (Other Deductions) should be used to deduct the corporate partner's distributive share of income on which the tax was paid by the unincorporated business.

Services performed for subsidiary corporations constitute carrying on a trade or business. Therefore, dividends received from such subsidiaries are considered to be business income subject to taxation.

A corporation will be considered to be engaging in a trade or business and will be required to file a return if it has or maintains an office, warehouse or other place of business in the District; or if it has an officers, agent, or other representative with an office or other place of business in the District. However, the words "trade or business" do not include sales of tangible personal property by a corporation if the corporation does not have or maintain an office, warehouse or other place of business in the District; or does not have goods in the District in a warehouse or on consignment (or similar agreement); and does not have an officer, agent, or other representative with an office or other place of business in the District, provided, for purposes of this exclusion, the words "agent" or "representative" shall not include an independent broker engaged in soliciting orders in the District for "more than one principal" and who holds himself/herself out as such.

Notwithstanding the foregoing exclusion from the words "trade or business," it is not necessary for a corporation to have an office or other place of business in the District in order to be required to file a return. If a corporation derives income from work done or services performed within the District, or from any type of business activity in the District, other than sales of tangible personal property, or receives income from District sources, a return is required to be filed. In this regard, income from sales of tangible personal property to the United States Government is considered to be income from a District source unless:

1. the principal place of business of the corporation is located outside the District;
2. the property is delivered from places outside the District; and
3. the property is for use outside the District.

Corporations that have been granted an exemption from D.C. franchise taxes are subject tax on unrelated business income if such income is taxable under section 511 of the Internal Revenue Code.

B. RATE AND MEASURE OF TAX: The amount of the franchise tax is determined by applying the effective rate to the total taxable income, which is the sum of (a) the portion of the total net income from trade or business fairly attributable to business done in the District and (b) other net income from District sources. The minimum tax payable shall be \$100. How to determine the total taxable income is explained in the specific instructions.

C. WHEN AND WHERE TO FILE THE RETURN AND PAY THE TAX: The franchise tax return together with full payment for the tax due must be submitted on or before March 15 for calendar year filers, and the fifteenth (15th) day of the third (3rd) month following the close of the taxable year for fiscal year filers. If the due date falls on a Saturday, Sunday, or legal holiday, the return is due the following business day.

The return and payment should be mailed to the Office of Tax and Revenue, Ben Franklin Station, P.O. Box 601, Washington, D.C. 20044-0601. Make check or money order payable to the *D.C. Treasurer*. Write on the payment your D.C. Business Tax Number, D-20, and tax year.

D. EXTENSION OF TIME TO FILE: An extension of time to file a return may be requested by filing District Form FR-128 on or before the due date of the return. Copies of federal request of extension of time to file are not acceptable.

E. FEDERAL ADJUSTMENTS AND AMENDMENTS: The law requires that if in 1997 the Internal Revenue Service made or proposed any adjustments in your federal income tax returns or you filed an amended return with the Internal Revenue Service, you must submit within 90 days thereafter, separately from your current franchise tax return, a detailed statement of adjustment or an amended return, Form D-2030X. Mail to the Office of Tax and Revenue, Audit Division, P.O. Box 556, Washington, D.C. 20044.

Be sure to include on any separately submitted statements, your business name and address, your D.C. Business Tax Number and tax period involved.

F. PENALTIES AND INTEREST: The law prescribes severe criminal penalties for failure to file a return, for filing a false or fraudulent return, or for attempting to defeat or evade the tax.

The civil penalty for failure to file a return on time or failure to pay any tax due is 5% of the unpaid portion of tax due for each month, or fraction thereof, that such failure to file or pay continues, but not more than 25% of the tax due.

In the case of a substantial understatement of tax, there shall be added to the tax an amount equal to 20% of the amount of any underpayment attributable to the understatement. There is a substantial understatement of tax if the amount of the understatement exceeds the greater of (a) 10% of the tax required to be shown on the return or (b) \$2,000. Understatement means the excess of the amount of tax required to be shown on a return, or determined through an audit or review, over the amount of tax imposed that is shown on any original or amended return, less an overpayment, credit, or refund.

Tax Preparer Penalty provisions enacted in Public Law 10-115 (D.C. Code, § 47-162) provide for a tax return preparer penalty when liability is understated. Penalties are assessed whenever a tax preparer prepares a return or claim for refund based on an unrealistic position; where the applicable law or regulation should have been known by the preparer; or where relevant facts for the position are not adequately disclosed. Penalties range from \$50 to \$10,000.

Interest at the rate of 1.5% per month, or portion of a month, must be paid on any tax that remains unpaid after the due date of the return. Interest is computed from the due date of the return to the date of payment and applies even though an extension of time may have been granted in which to file the return.

Fee for Dishonored Checks.—A \$50.00 fee will be imposed if a check in payment of any obligation due the District of Columbia is not honored by your bank.

G. SIGNATURE AND VERIFICATION: The return must be signed by an authorized officer of the corporation. A receiver, trustee, or assignee must sign any return that he/she is required to file on behalf of a corporation. The return must also be signed by any person who prepared the return for compensation. If a return is prepared by a firm or corporation, it should be signed in the name of such entity. This requirement does not apply when a return is prepared by a regular employee of the taxpayer.

SPECIFIC INSTRUCTIONS

(Numbers correspond to line numbers on page 1 of Form D-20)

Every corporation required to file a return shall complete all schedules and shall furnish the information required on page 1 of the franchise tax return, Form D-20, in accordance with these Specific Instructions.

Allocations and Apportionment Required. — Any corporation carrying its trade or business within and without the District must subject all its business income to apportionment and allocate within and without D.C. items of income which are clearly determined to be non-business income. Dividend income should be apportioned where the recipient parent's services are not otherwise commensurably compensated.

The net income-form trade or business activities shall be apportioned to the District in accordance with the appropriate apportionment formula as hereinafter provided.

Definitions.—As used in these instructions unless the context otherwise requires:

Business income means income arising from transactions and activity in the regular course of the taxpayer's trade or business and includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer's regular trade or business operations. Income of any type, such as manufacturing income, compensation for services, sales income, interest, dividends, rents, royalties, gains, operating income and non-operating or from any class and from any source is business income if it arises from transactions and activities occurring in the regular course of a trade or business. The critical element in determining whether income is business or non-business shall be the identification of the underlying transactions and activities which are elements of a particular trade or business. In general, all transactions and activities of the taxpayer that depend upon or contribute to the operations of the taxpayer's economic enterprise as a whole constitute the taxpayer's trade or business, these will be transactions and activities arising in the regular course of business and will constitute integral parts of the trade or business.

Commercial domicile means the principal place from where the trade or business of the taxpayer is directed or managed.

Compensation means wages, salaries, commissions and any other form of remuneration paid or accrued to employees for personal services.

Non-business income means all income other than business income.

Transportation company means any person engaged in the transportation of persons or goods or property of others for hire.

Sales means all gross receipts of the taxpayer, including any dividends, interest, and royalties considered to be business income which are not required to be allocated.

For purposes of allocation and apportionment of income, **taxable in another state** means when a taxpayer is subject to a net income tax, a franchise tax measured by net income, a franchise tax for the privilege of doing business, or a corporate stock tax in such other state.

INCOME

1. GROSS RECEIPTS: Enter the total gross receipts from sales and operations, less returns and allowances.

2. COST OF GOODS SOLD: Enter the figure shown on Line 7 of Schedule A on page 2. If the production, manufacture, purchase, or sale of merchandise is an income-determining factor in the trade or business, inventories of merchandise on hand should be taken at the beginning and end of the taxable year; and may be valued at cost, or at cost or market, whichever is lower, or by such other method as is being used by the corporation, with the consent of the Commissioner of Internal Revenue (for federal income tax purposes). An inventory method once adopted is controlling until permission to change has been obtained from the Office of Tax and Revenue. If the inventories do not agree with the balance sheets figures, attach a statement explaining the difference.

COST OF OPERATIONS (where inventories are not an income-determining factor). If the amount entered on Line 2 includes an amount applicable to cost of operations, attach a schedule showing: (1) salaries and wages; and (2) other costs in detail.

4. DIVIDENDS: Enter the total amount of all dividends received per Schedule C, page 2. A corporation is allowed a deduction for Subpart F income (as defined in Section 952 of the Internal Revenue Code of 1986) for taxable years after 12/31/94. A deduction is allowed for all dividends received on or after March 1, 1997 from a wholly-owned subsidiary.

All dividends from sources outside the District that are not trade or business income should be included on Line 29(a), page 1. Dividends received by corporations, financial institutions or investment firms are considered "business income" not subject to allocation, except in the case of dividend income on obligations or securities issued by the United States or its instrumentalities retroactive to January 24, 1983.

Dividends received from the following corporations having their principle place of business in the District are treated as non-business income.

- (a) Corporations subject to this franchise tax.
- (b) Insurance corporations including bonding companies and real estate title insurance companies.
- (c) Banks, if such bank interest was paid to a bank holding company.

5. INTEREST: Enter all interest received by or credited to the corporation during the taxable year including interest paid upon obligations of a State, Territory of the United States, or any political sub-division thereof, except the District of Columbia. Expenses connected with the production of U.S. Treasury Security income are includible in Line 29(b) after September 30, 1984.

Corporations and financial institutions should exclude, retroactively to January 24, 1983, interest income on obligations or securities issued by the United States or its instrumentalities.

Interest received by a corporation not engaged in trade or business in the District shall not be considered to be income from District sources if the interest received is from one of the following organizations with their principal place of business in the District:

- (a) Corporations subject to this franchise tax.
- (b) Insurance corporations including bonding companies and real estate title insurance companies.
- (c) Banks, if such bank interest was paid to a bank holding company.

You should report such interest on Line 29(a) of your return.

Any interest income related to a trade or business activity carried on or engaged in within the District should not be entered on Line 29(a).

6. GROSS RENTAL INCOME: Enter the gross amount received from the rental of real or personal property.

Rental income related to a trade or business shall not be entered on Line 29(a).

7. ROYALTIES: Report royalty income and related expenses in the same manner as rental income and rental expenses. Royalties derived from patents developed by the taxpayer from licensing of processes, sales of know-how and licensing of trade name are considered "business income."

8. (a) NET CAPITAL GAINS: Capital gains or losses are treated in the same manner as they are for federal corporation income tax purposes. Detailed instructions are contained on the instructions for Schedule D (Form 1120), federal corporation income tax return. Section 1231 gains are considered "business income."

(b) ORDINARY GAIN (OR LOSS): Enter the total ordinary gain (or loss) from federal Form 4797. Attach a copy of Form 4797 to your Form D-20. Such gains are considered "business income."

9. OTHER INCOME: Enter the total amount of income not reported elsewhere in the return and attach a schedule showing the details. International Banking Facility (IBF) income should be entered on Line 29(a) and submit a detailed schedule showing what constitutes such income.

Other income related to a trade or business shall not be entered on Line 29(a).

DEDUCTIONS

Deductions are allowed only to the extent of their relation to income subject to the corporation franchise tax and subject to the limitations prescribed by the Internal Revenue Act of 1986 either directly or through the inclusion of such income in the determination of the District of Columbia apportionment factor.

In connection with each of the following items of deductions, enter the total deductions allowed under District Law.

Enter on Line 29(b) deductions related to the income allocated within or without the District of Columbia.

11. COMPENSATION OF OFFICERS: Enter the amount of compensation for all officers as shown in Schedule E, page 2 of the return. Include compensation for services rendered to the taxpayer in any other capacity, except salaries connected with the production of U.S. Treasury Security income included in Line 29(b).

12. SALARIES AND WAGES: Enter the amount of salaries and wages not deducted elsewhere in the return, except salaries connected with the production of U.S. Treasury Security income, which are to be included in Line 29(b). Wages used to compute the credit on Schedule D of the return are not allowable.

13. REPAIRS: Enter the cost of incidental repairs, including labor, supplies, and other items that do not add to the value or appreciably prolong the life of the property. Expenditures for new buildings, machinery, equipment, or for permanent improvements or betterments that increase the value or appreciably prolong the life of the property are chargeable to capital account.

14. BAD DEBTS: Bad debts are to be treated in the same manner as for federal tax purposes and allowed to the same extent allowed under the Internal Revenue Code. A copy of the schedule submitted with your federal return must be attached to your D-20.

15. RENT: Enter the amount of rent paid or accrued for business property in which the corporation has no equity. If any property is leased from an affiliated corporation, or from one of the stockholders, furnish the name and address of the lessor, the amount of rent paid and a description of the property rented.

16. TAXES: Enter taxes as reported in Schedule I. The following taxes are not allowable deductions and are not to be included in Schedule I on page 3 of this return:

- (a) All income and excess profits taxes.
- (b) Franchise taxes imposed by this corporation franchise tax law.
- (c) Taxes assessed against local benefits of a kind tending to increase the value of the property assessed.

17. INTEREST: Enter interest paid or accrued on business indebtedness.

If the corporation has income from investments in securities or other property not subject to this franchise tax, the amount of interest expense subject to apportionment shall be the proportion of the total interest paid or accrued that the average value of all assets, other than said securities or other investments, bears to the average value of the total assets of the corporation, and the remainder shall be entered on Line 29(b). For this purpose, average values should be obtained by adding the beginning and ending values of assets shown in the balance sheet for the tax period and dividing by two, or they may be computed by using the daily balance method or any other method which is of supportable validity. Attach a schedule showing this computation.

18. CONTRIBUTIONS: Enter the amount of contributions or gifts actually paid within the taxable year to or for the use of any religious, charitable, scientific, literary, military, or educational institution, and of which no part of the net income inures to the benefit of any private stockholder or individual. The deduction for contributions may not exceed 15% of net income before making any deductions for contributions. Detailed information concerning contributions and gifts must be reported in a separate schedule to be attached to the return. Contributions carry overs are not allowed.

19. AMORTIZATION: Amortization will be allowed to the same extent it is allowed on your federal income tax return. Attach schedule of amortization.

20. DEPRECIATION: Enter the amount of depreciation claimed on federal Schedule 4562. The allowance does not apply to inventories, stock-in-trade or land. Attach copy of Schedule 4562.

You must use the same depreciation method used on your federal income tax return if such method is approved by the Internal Revenue Service.

The basis for computing depreciation shall be the same basis used for federal income tax purposes.

21. DEPLETION: Depletion will be allowed to the same extent it is allowed on our federal income tax return. Attach a schedule to explain how the depletion allowance was determined.

22. ADVERTISING: Enter the amount paid or incurred during the year for advertising. To be deductible, advertising expenditures must be ordinary and necessary and bear a reasonable relation to the business activities.

23. PENSION AND PROFIT-SHARING PLANS: Enter amount of contributions made to an employees' pension, profit-sharing, stock bonus or annuity plan. These contributions are deductible to the same extent as they are for federal income tax purposes.

24. OTHER DEDUCTIONS: Enter the total amount of other deductions allowed by law and connected with the production of business income subject to franchise tax. Deductions directly and indirectly connected with the production of non-business income, as well as International Banking Facility deductions, should be entered on Line 29(b) and detailed in a schedule to be submitted with the return.

ALLOCATION OF NON-BUSINESS INCOME

1. Rents and royalties from real or tangible personal property, gains and profits from the sale of property, interest, dividends, rents and royalties from patents, copyrights, trademarks, service marks, secret processes and formulas, goodwill, franchise and other like property, certain sales of tangible personal property to the United States Government, and any other income from sources within the District, to the extent that they constitute non-business income, shall be allocated as provided in the following paragraphs 2 through 8.

- 2. (a) Net rents and royalties from real property located in the District are allocable to the District.
- (b) Net rents and royalties from tangible personal property are allocable to the District: (1) to the extent that the property is utilized or located in the District or (2) in their entirety if the taxpayer's commercial domicile is in the District and the taxpayer is not taxable in the state where the property is utilized.

The extent of utilization of tangible personal property in the District is determined by multiplying the rents and royalties by a fraction, the numerator of which is the number of days of physical location of the property in the District during the rental or royalty period in the taxable year and the denominator of which is the number of days of physical location of the property everywhere during all rental or royalty periods in the taxable year. If the physical location of the property during the rental or royalty period is unknown or unascertainable by the taxpayer, tangible personal property is utilized in the state in which the property was located at the time the rental or royalty payer obtained possession.

- 3. (a) Gains and losses from sales or other dispositions of real property (other than realty used in the trade or business whether held for sale or otherwise) located in the District, are allocable to the District.
- (b) Gains and losses from sales or other dispositions of tangible personal property (other than tangible personal property of any kind used in the trade or business whether held for sale or otherwise) are allocable to the District if: (1) the property had a situs in the District at the time of sale, or (2) the taxpayer's commercial domicile is in the District and the taxpayer is not taxable in the state the property had a situs.
- (c) Gains and losses from sales or other dispositions of intangible personal property (other than intangible personal property of any kind used in the trade or business whether held for sale or otherwise) are allocable to the District if the taxpayer's commercial domicile is in the District.

4. Interest and dividends of a non-business nature derived from sources within the District are allocable to the District unless specifically excluded from taxation and subject to apportionment as business income.

5. Rents and royalties from patents, copyrights, trademarks, service marks, secret processes and formulas, goodwill, franchises and other like property are allocable if not derived from a trade or business activity, or used in

the trade or business; such royalties shall be allocated according to where the patent is situated or used, or where the copyrighted material is published or used. If the District is the commercial domicile of a corporate entity not subject to tax anywhere else, then such rents or royalty income are allocable to the District.

6. Income from sales of tangible personal property to the United States Government by a corporation that has its principal place of business outside the District is income from District sources if the property is delivered from places outside the District for use in the District.

7. All other non-business income derived from sources within the District shall be allocable to the District.

8. Where income is allocable within and without the District, all expenses, losses and other deductions incurred in the production of such income shall be similarly allocable. Losses incurred in the production of non-business income shall be allowed if profits from such transaction would be taxable under the law.

SCHEDULES

SCHEDULE D – ECONOMIC DEVELOPMENT ZONE INCENTIVES CREDIT

The Economic Development Zone Incentive Amendment Act of 1988 allows a qualified business a credit against its business franchise tax liability. A qualified business is an incorporated business approved as qualified under Section 5 of the Economic Development Zone Incentive (EDZI) Amendment Act of 1988. You MUST complete the Schedule D and include the necessary attachments with your return. The following credits are allowed under the EDZI Amendment Act:

1. A qualified business is allowed a credit against the corporation franchise tax in an amount equal to 50% of the wages of all certified employees who meet the requirements of Section 10(b) of the EDZI Amendment Act of 1988.
2. A qualified business is allowed a credit against the corporation franchise tax in an amount equal to 50% of the insurance premiums attributable to all employees for which it obtains employer liability insurance under the District of Columbia Worker's Compensation Act of 1979.
3. A qualified business (lessor) is allowed a rent credit against the corporation franchise tax. The credit allowed is the difference between the rental market value of the space actually leased to a licensed nonprofit child care center and the actual rent indicated on the lease agreement as indicated in the Council resolution approving the qualification of the business. A nonprofit child care center is a child development center defined in Section 10 of the EDZI Amendment Act of 1988.

If you are claiming the EDZI credit against your franchise tax liability, you MUST attach to the return you file:

1. A copy of the Council Resolution approving the qualification for one or more of the credits claimed;
2. Certification of eligible employees issued by the Department of Employment Services; and
3. A complete Economic Development Zones Incentive Credit Schedule. A credit carry forward is provided in the Schedule for unused credit from previous years.

SCHEDULE J—Reconciliation of Net Income Reported in federal and District of Columbia Returns: Furnish required information so as to account for all variations between the net income reported on the federal return and District return.

SCHEDULE K—D.C. Apportionment Factor: Corporations carrying their trade or business within and without the District must use the three factor formula to apportion business income to the District. Corporations domiciled in the District and not subject to the tax anywhere else are to apportion 100% of their net business income to the District, and allocate 100% of their non-business income to the District.

A corporation engaging in a trade or business both within and without the District shall apportion all trade or business income to the District by multiplying the income by a fraction, the numerator of which is the property factor plus the payroll factor plus the sales factor, and the denominator of which is three reduced by the number of factors, if any, having no denominator.

Financial institutions must use a two factor formula, determined by multiplying the financial institution's base (net income for the taxable year) by an apportionment fraction, the numerator of which is the sum of the payroll factor and the gross income factor and the denominator of which is 2.

A. PROPERTY FACTOR. (1) The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned by or rented to the taxpayer and used by the taxpayer in the District during the taxable year, and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned by or rented to the taxpayer and used by the taxpayer during the taxable year, except that neither the numerator nor the denominator of the property factor shall include property, or any portion thereof, which is not used to produce business income.

(2) **In the case of transportation companies,** the numerator of the property factor, in addition to other property described in (1) above, shall include such portion of the average value of vehicles, rolling stock, aircraft, watercraft of all kinds, and other equipment used by the taxpayer during the taxable period to transport persons and property within and without the District as the total miles per unit of equipment traveled in the District by each class of such property bear to the total miles per unit of equipment traveled everywhere by each respective class of such property. **In the case of railroad companies,** the classes of property referred to above shall be those classes required to be reported for District personal property tax purposes pursuant to the Act of December 15, 1945, 59 Stat. 610 (Section 47-1512 D.C. Code, 1981).

(3) Where property is used in any activities the income from which is allocable or apportionable partly under D.C. regulations, the taxpayer may employ, subject to the approval of the Office of Tax and Revenue, or the Office of Tax and Revenue may require the use of any method which will reflect properly the portion of the average value thereof to be used in arriving at the property factor.

(4) Property owned by the taxpayer is valued at its original cost to the taxpayer plus the cost of additions and improvements. If the original cost of any property to the taxpayer is not determinable or is zero, such property shall be valued by the Office of Tax and Revenue at an amount equal to its market value at the time of acquisition by the taxpayer. Property rented to the taxpayer is valued at eight times the net annual rental rate, which is the annual rental rate paid by the taxpayer less any annual rental rate received by the taxpayer from subrentals, provided that such rental and subrental rates are reasonable. The term "net annual rental rate" includes amounts paid or accrued for the use or rental of the property or facilities of another whether paid as rent, reasonable compensation for use or by any other designation, and whether paid pursuant to statutory enactment, lease, or rental agreement of any kind, contract, or otherwise. However, payments for leased property which are capitalized for federal tax purposes, are not considered rent and will only be included in this factor to the extent of its capitalized value for federal tax purposes. If the Office of Tax and Revenue determines that any net annual rental rate or subrental rate is unreasonable, or if a nominal or zero rate is charged, it may determine and apply such rental rate as will reasonably reflect the value of the property rented by the taxpayer.

(5) The average value of property shall be determined by averaging the values at the beginning and ending of the tax period but the taxpayer may use, subject to the approval of the Office of Tax and Revenue, or the Office of Tax and Revenue may require the averaging of monthly or quarterly values during the tax period if necessary to reflect properly the average of the taxpayer's property.

B. PAYROLL FACTOR: (1) The payroll factor is a fraction, the numerator of which is the total compensation paid or accrued by the taxpayer in the District during the taxable year, and the denominator of which is the total compensation paid or accrued by the taxpayer everywhere during the taxable year, except that neither the numerator nor the denominator of the payroll factor shall include compensation paid or accrued to employees for personal services rendered in the production of non-business income. Compensation paid or accrued other than in cash shall be valued at its fair market value as of the date of payment or accrual. Payments to independent contractors are not considered in the computation of a payroll factor.

(2) **In the case of transportation companies,** the numerator of the payroll factor, in addition to other compensation described in paragraph (1) above, shall include such portion of the total compensation paid or accrued to employees who are employed on vehicles, rolling stock, aircraft, watercraft of all kinds, and other equipment used by the taxpayer during the taxable period to transport persons and property within and without the District, determined by applying to such total compensation the percentage computed under Paragraph A(2) above relating to the portion of the average value of vehicles, rolling stock, aircraft, watercraft of all kinds and other equipment of transportation companies to be included in the numerator of the property factor.

(3) Where compensation is paid or accrued for services the income from which is allocable or apportionable party under D.C. regulations, the taxpayer may employ, subject to the approval of the Office of Tax and Revenue, or the Office of Tax and Revenue may require the employment of any method which will reflect properly the portion thereof to be used in arriving at the payroll factor.

(4) Compensation is paid or accrued in the District if—

- (a) the individual's service is performed entirely within the District; or
- (b) the individual's service is performed both within and without the District, but the service performed without the District is incidental to the individual's service within the District; or
- (c) some of the individual's service is performed in the District and (1) the base of operations or, if there is no base of operations, the place from which the service is directed or controlled is in the District, or (2) the base of operations or the place from which the service is directed or controlled is not in the District, or in any state in which some part of the service is performed but the individual's residence is in the District.

(5) **In the case of financial institutions**, the payroll factor is a fraction, the numerator of which is the total amount paid or accrued in the District by the financial institution as compensation and the denominator of which is the total amount paid or accrued everywhere by the financial institution as compensation during the taxable year.

Compensation is paid in the District if paid to an employee considered to be located or as having a regular presence in the District. Any compensation paid by a financial institution to an employee located in a state in which the financial institution is not taxable is considered to have been paid in the District, if the financial institution has its principal office located in the District.

C. SALES FACTOR. (1) The sales factor, except for transportation companies, is a fraction, the numerator of which is the total sales of the taxpayer in the District during the taxable year, and the denominator of which is the total sales of the taxpayer everywhere during the taxable year.

(2) **The sales factor in the case of transportation companies** is a fraction, the numerator of which is the total revenue units first received by the company as originating or connecting traffic at a point within the District plus the total revenue units discharged or unloaded by the company at a point within the District at the termination of the transportation movement or for transfer to a connecting carrier, and the denominator of which is twice the total revenue units originated everywhere during the taxable year. One ton of freight shall constitute one revenue unit; ten passengers shall constitute one revenue unit. If the company's revenue is predominantly from the transportation of passengers, the number of passengers loaded and discharged may be used in lieu of originating and terminating tonnage.

(3) Sales of tangible personal property, including sales to the United States Government, are in the District, regardless of the point of passage of title, f.o.b. point, or other conditions of such sales, if—

- (a) property is delivered or shipped to a purchaser within the District; or
- (b) the ultimate destination of such property, after all transportation including transportation by the purchase has been completed, is a point within the District; or
- (c) property is delivered or shipped from an office, store, warehouse, factory, or other place of storage in the District to a destination outside the District and the taxpayer is not taxable in the state to which the property is delivered or shipped.

(4) Except for transportation companies, sales other than sales of tangible personal property, are in the District if—

- (a) the income-producing activity or service is performed in the District; or
- (b) the income-producing activity or service is performed both in and outside of the District and a greater proportion of the income-producing activity or service is performed in the District than in any other state, based on costs of performance.

(5) **The Sales Factor in the case of financial institutions** is a gross income factor, being a fraction, the numerator of which is the financial institution's gross income located in the District during the taxable year and the denominator of which is the total gross income of the financial institution during the taxable year.

- (a) A financial institution whose commercial domicile is in the District and is subject to tax in another jurisdiction, shall include in the

numerator of the income factor for the District any income not required by the other jurisdiction to be included in the numerator of an income factor.

- (b) All interest, loan placement fees, discount, net gain and other forms of gross income from each loan, which is secured primarily by real estate are considered located in the District if the predominant part of the security property is or will be located in the District.
- (c) All interest, loan placement fees, discount and net gain from each unsecured loan and each loan secured primarily by tangible or intangible personal property, or any participating interest therein are considered to be located in the District if the loan is originated in the District.
- (d) In the case of a financial institution whose commercial domicile is in the District, income from securities, investments, money market instruments or from any other source not required to be apportioned outside the District, is considered to be located in the District. Such income shall include but not be limited to interest, dividends and net gains.
- (e) All fees, commissions, service charges and other forms of gross income from the sales of depository or financial services are considered to be located in the District if the service performed in the District. Sales or services rendered in two or more taxing jurisdictions shall for purposes of the numerator be included in the numerator of the jurisdiction in which the greater portion of the income-producing activity is performed, based on costs of performance.
- (f) Gross income from the lease of tangible property is considered to be located in the District if the property is located in the District.

All income described above located in a jurisdiction where the financial institution is not subject to tax is considered to be located in the District if the principal office of the financial institution is located in the District.

D. General.—If the application of the allocation and apportionment instructions produces a tax that is not fairly representative of the extent of the taxpayer's tax liability from trade or business in the District or income from non-business sources within the District, the taxpayer may petition for, or the Office of Tax and Revenue may require, with respect to all or any part of the taxpayer's trade or business or non-business income, if reasonable—

- (1) separate accounting, unless the entity is conducting a unitary business;
- (2) the exclusion of any one or more of the factors;
- (3) the inclusion of one or more additional factors which will fairly represent the extent of the taxpayer's trade or business in the District; or
- (4) the employment of any other method to effectuate an equitable allocation and apportionment of the taxpayer's income.

Supplemental information (Page 3 of Form D-20): Submit answers to all questions contained in this schedule. The law requires the reporting of federal adjustments within 90 days of final determination. If changes in the federal income tax return have been made or proposed and the adjustments have not been previously reported to the Office of Tax and Revenue, submit such adjustments, separately from your return, in accordance with general instruction E.

SCHEDULE L – Balance Sheets: Submit balance sheets as of the beginning and end of the taxable year. They should conform with the corporation's books and records, and should agree with the same schedule on the Federal income tax return. Any variation must be explained in a statement attached to the Form D-20.

SCHEDULE M – Reconciliation of Income and Analysis of Unappropriated Retained Earnings per Books: Complete this schedule with required information. The schedule should conform with a similar schedule on the corporation's Federal income tax return.

FRANCHISE TAX COMPUTATION

26. NET INCOME: Enter on Line 26 the Net Income (Line 10 less Line 25). If the total net income is from a trade or business carried on entirely within the District, and no entries are made on Lines 27 thru 31, the figure shown on Line 26 should be inserted on Line 34.

27. NET OPERATING LOSS DEDUCTION: The net operating loss deduction is limited to the amount of net operating loss deduction actually used on the federal corporation income tax return for the same year. Net operating losses passed through to stockholder-owners and allowed on their individual returns are not allowed to be deducted on the D.C. corporation return.

29-42. Complete in accordance with instructions on the return.

D-20 1997 Corporation Franchise Tax Return



DISTRICT OF COLUMBIA GOVERNMENT
OFFICE OF TAX AND REVENUE

DATE RECEIVED

Taxable year beginning 19 and ending 19

NAME OF CORPORATION

D.C. BUSINESS TAX NUMBER
If less than 7 numbers, add
zeros to the left.

D.C. ADDRESS (Number, Street, and Zip Code)

FEDERAL I.D.
NUMBER

MAILING ADDRESS (Number, Street, City, and Zip Code)

NUMBER OF BUSINESS LOCATIONS
In the District: Outside the District:

TYPE OF BUSINESS

READ INSTRUCTIONS BEFORE PREPARING RETURN (NON BUSINESS ITEMS TO BE ALLOCATED)

GROSS INCOME			
1.	GROSS RECEIPTS, LESS RETURNS AND ALLOWANCES		1
2.	COST OF GOODS SOLD (Schedule A) AND/OR OPERATIONS (Attach Schedule)		2
3.	GROSS PROFIT FROM SALES AND OPERATIONS -- Line 1 minus Line 2		3
4.	DIVIDENDS (Schedule C)		4
5.	INTEREST		5
6.	GROSS RENTAL INCOME		6
7.	ROYALTIES		7
8.	(a) NET CAPITAL GAINS (Attach Copy of federal Schedule D)		8(a)
	(b) ORDINARY GAIN (LOSS) FROM PART II, FEDERAL FORM 4797 (Attach Copy of Form 4797)		8(b)
9.	OTHER INCOME (Attach Schedule)		9
10.	TOTAL GROSS INCOME -- Add Lines 3 through 9		10
DEDUCTIONS			
11.	COMPENSATION OF OFFICERS (Schedule E)		11
12.	SALARIES AND WAGES		12
13.	REPAIRS		13
14.	BAD DEBTS (See Instructions)		14
15.	RENT		15
16.	TAXES (Schedule I)		16
17.	INTEREST		17
18.	CONTRIBUTIONS (Attach Schedule)		18
19.	AMORTIZATION (Attach federal Form 4562)		19
20.	DEPRECIATION (Attach federal Form 4562)		20
21.	DEPLETION (Attach Schedule)		21
22.	ADVERTISING		22
23.	PENSION, PROFIT-SHARING PLANS		23
24.	OTHER DEDUCTIONS (Attach Schedule)		24
25.	TOTAL DEDUCTIONS -- Add Lines 11 through 24		25
26.	NET INCOME (Line 10 minus Line 25)		26
27.	NET OPERATING LOSS DEDUCTION		27
28.	NET INCOME AFTER NET OPERATING LOSS DEDUCTION (Line 26 minus Line 27)		28
29.	(a) NON-BUSINESS INCOME (Attach Schedule)	\$	29(a)
	(b) EXPENSES RELATED TO NON-BUSINESS INCOME (Attach Schedule)		29(b)
	(c) 29(a) minus 29(b) (Attach detailed schedule and explanation)		29(c)
Taxable Income			
30.	NET INCOME SUBJECT TO APPORTIONMENT (Line 28 minus 29(c))	\$	30
31.	D.C. APPORTIONMENT FACTOR (from Line 5, Schedule K). If none, enter "zero."		31
32.	NET INCOME FROM TRADE OR BUSINESS APPORTIONED TO THE DISTRICT (Line 30 multiplied by Line 31)	\$	32
33.	PORTION OF LINE 29(c) ATTRIBUTABLE TO D.C. (Submit schedule)		33
34.	TOTAL DISTRICT TAXABLE INCOME -- Line 32 plus or minus Line 33	\$	34
TAX			
35.	TAX (9.975% of Line 34). If less than \$100.00, enter \$100.00		35
36.	(a) TAX PAID, IF ANY, WITH APPLICATION FOR EXTENSION OF TIME	\$	36(a)
	(b) 1997 ESTIMATED TAX PAYMENTS		36(b)
	(c) ECONOMIC DEVELOPMENT ZONES INCENTIVE CREDIT (From Schedule D)		36(c)
37.	ADD LINES 36(a), 36(b) and 36(c) AND ENTER TOTAL	\$	37
38.	TAX DUE (Line 35 minus Line 37 if Line 35 is greater than Line 37)	\$	38
39.	PENALTY \$ INTEREST \$ TOTAL PENALTY AND INTEREST		39
40.	TOTAL DUE. ADD LINES 38 AND 39. PAY IN FULL.		40
41.	OVERPAYMENT (Line 37 minus Line 35 if Line 37 is greater than Line 35)	\$	41
42a.	CREDIT TO 1998 ESTIMATED TAX	\$	42(a)
42b.	TO BE REFUNDED -- Line 41 minus Line 42a.	\$	42(b)

Under penalties of law, including criminal penalties for false statements and tax preparer penalties under D.C. Code §22-2514 and §47-161, et seq., I declare that I have examined this return and, to the best of my knowledge and belief, it is true, correct, and complete. If prepared by a person other than the taxpayer, this declaration is based on all information available to the preparer.

CORPORATE SEAL		SIGNATURE OF OFFICER		TITLE		DATE	
		SIGNATURE OF PREPARER (Other than Taxpayer)		ADDRESS		DATE	

MAILING INSTRUCTIONS: Make check payable to the D.C. Treasurer. (Include D.C. business tax number and tax year on your payment). Mail this return and payment to the Office of Tax and Revenue, Ben Franklin Station, P.O. Box 601, Washington, D.C. 20044-0601, on or before the 15th day of the third month following the close of the taxable year.

Schedule C—DIVIDENDS (See instruction for Line 4)

Schedule D—ECONOMIC DEVELOPMENT ZONES INCENTIVE CREDIT

Column 1 — Credit Category	Column 2	Column 3	Column 4
A. Certified employees wages	Total Wages \$	50% of Wages Col. 2 × .50 =	
B. Certified employees workman's compensation liability insurance premiums	Total Premiums \$	50% of Premiums Col. 2 × .50 =	
C. Child care center rent (lessor)	Rental market value	\$	
	Less rent shown on lease agreement	\$	
	Total child care center credit		
	Total of Column 4		\$
	Add credit carry forward from previous year		
	Total EDZI credit (enter on Line 36 (C), page 1		\$

Schedule E—COMPENSATION OF OFFICERS (See instruction for Line 11)

Col. 1 Name and Address of Officer	Col. 2 Official Title	Col. 3 Time Devoted to Business	Percent of Corporation Stock Owned		Col. 6 Amount of Compensation	Col. 7 Expense Account Allowances
			Col. 4 Common	Col. 5 Preferred		
TOTAL COMPENSATION OF OFFICERS (enter also on Line 11, page 1)					\$	

Schedule F—BAD DEBTS (See instruction for Line 14)**Schedule G—DEPRECIATION** (See instruction for Line 20) (Attach copy of federal Form 4562)

EXPLANATION	AMOUNT	EXPLANATION	AMOUNT
	\$		\$
		TOTAL (enter on Line 16, page 1)	\$

Schedule J—RECONCILIATION OF NET INCOME REPORTED IN FEDERAL AND DISTRICT OF COLUMBIA RETURNS

1. Taxable income before net operating loss deduction and special deductions (Page 1 of Federal return)	\$	7. Total taxable income reported (Line 34, page 1)	\$
UNALLOWABLE DEDUCTIONS AND ADDITIONAL INCOME		NONTAXABLE INCOME AND ADDITIONAL DEDUCTIONS	
2. State income taxes		8. Net income apportioned or allocated outside the District of Columbia	
3. District of Columbia income taxes and franchise taxes imposed by D.C. Revenue Act of 1947, as amended		9. Other nontaxable income and additional deductions (itemize):	
4. Interest on obligations of states, territories of the U.S. or any Political Subdivision thereof		(a)	
5. Other unallowable deductions and additional income (itemize):		(b)	
(a)			
(b)			
6. TOTAL (Lines 1 to 5)	\$	10. TOTAL (Lines 7 to 9)	\$

Schedule K—APPORTIONMENT FACTOR (See instructions) (Carry all factors to six decimal places)

	Col. 1 TOTAL	Col. 2 IN D.C.	Col. 3 FACTOR (Col. 2 divided by Col. 1)
1. PROPERTY FACTOR: Average value of real estate and tangible personal property owned or rented to and used by the corporation (Financial institutions do not complete this item)	\$	\$	
2. PAYROLL FACTOR: Total compensation paid or accrued by the corporation ...	\$	\$	
3. SALES FACTOR: All gross receipts of the corporation other than gross receipts from items of non-business income	\$	\$	
4. SUM OF FACTORS: (Add Column 3)			
5. APPORTIONMENT FACTOR: Line 4 divided by 3; or 3 reduced by the number of factors without denominator			

Note: Financial institutions using a two factor formula should divide Line 4 by 2.

SUPPLEMENTAL INFORMATION

1. STATE AND COUNTRY OF INCORPORATION	2. DATE OF INCORPORATION	3. IRS SERVICE CENTER WHERE FEDERAL INCOME TAX RETURN WAS FILED FOR PERIOD COVERED BY THIS RETURN:
4. THE CORPORATION'S BOOKS ARE IN CARE OF	5. LOCATED AT	
6. During 1997, has the Internal Revenue Service made or proposed any adjustments in your federal income tax returns, or did you file any amended returns with the Internal Revenue Service? <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes", separately submit a detailed statement, unless previously submitted, to the address shown in instruction E. <input type="checkbox"/> Detailed statement submitted on: (date)		
7. Is this corporation affiliated with a partnership or another corporation?	Yes <input type="checkbox"/> No <input type="checkbox"/> If yes, explain:	
8. Is this return made on the accrual basis?	<input type="checkbox"/> <input type="checkbox"/> If not, state basis used: <input type="checkbox"/> Cash Basis <input type="checkbox"/> Other (specify)	
9. Did you file a franchise tax return with the District of Columbia for the year 1996?	<input type="checkbox"/> <input type="checkbox"/> If not, state reason:	
10. Did you withhold D.C. income tax from the wages of your employees during 1997?	<input type="checkbox"/> <input type="checkbox"/> If not, state reason:	
11. Have you filed annual information returns, forms 1096 and 1099, pertaining to payment of dividends and interest for 1997?	<input type="checkbox"/> <input type="checkbox"/>	
12. (a) Has business been terminated?	<input type="checkbox"/> <input type="checkbox"/> If yes, explain and give date:	
(b) Have you moved out of D.C.?	<input type="checkbox"/> <input type="checkbox"/>	
13. Did you file a 1997 D.C. Arena fee return?	<input type="checkbox"/> <input type="checkbox"/>	

Schedule L—BALANCE SHEETS

	BEGINNING OF TAXABLE YEAR		END OF TAXABLE YEAR	
	(A) AMOUNT	(B) TOTAL	(A) AMOUNT	(B) TOTAL
ASSETS	1. Cash			
	2. Trade notes and accounts receivable			
	(a) LESS: Allowance for bad debts			
	3. Inventories			
	4. Gov't obligations: (a) U.S. and instrumentalities			
	(b) State, subdivisions thereof, etc.			
	5. Other current assets (attach schedule)			
	6. Loans to stockholders			
	7. Mortgage and real estate loans			
	8. Other investments (attach schedule)			
	9. Building and other fixed depreciable assets			
	(a) LESS: Accumulated depreciation			
	10. Depletable assets			
	(a) LESS: Accumulated depletion			
LIABILITIES AND CAPITAL	11. Land (net of any amortization)			
	12. Intangible assets (amortizable only)			
	(a) LESS: Accumulated amortization			
	13. Other assets (attach schedule)			
	14. TOTAL ASSETS			
	15. Accounts payable			
	16. Mortgages, notes, bonds payable in less than 1 year			
	17. Other current liabilities (attach schedule)			
	18. Loans from stockholders			
	19. Mortgages, notes bonds payable in 1 year or more			
	20. Other liabilities (attach schedule)			
	21. Capital stock: (a) Preferred stock			
	(b) Common stock			
	22. Paid-in or capital surplus (attach reconciliation)			
	23. Retained earnings-Appropriated (attach schedule)			
	24. Retained earnings-Unappropriated			
	25. LESS: Cost of treasury stock	()		()
	26. TOTAL LIABILITIES AND CAPITAL			

Schedule M—RECONCILIATION OF INCOME AND ANALYSIS OF UNAPPROPRIATED RETAINED EARNINGS PER BOOKS
(Copy from Federal Form 1120)
Itemized entries made below must be identified by account.

Schedule M-1—RECONCILIATION OF INCOME PER BOOKS WITH INCOME PER RETURN			
1. Net income per books		7. Income recorded on books this year not included in this return (itemize)	
2. Federal income tax		(a) Tax-exempt interest . \$	
3. Excess of capital losses over capital gains			
4. Taxable income not recorded on books this year (itemize)		8. Deductions in this tax return not charged against book income this year (itemize)	
		(a) Depreciation \$	
5. Expenses recorded on books this year not deducted in this return (itemize)		(b) Depletion \$	
(a) Depreciation \$			
(b) Depletion \$			
		9. TOTAL of Lines 7 and 8	
6. TOTAL of Lines 1 through 5		10. Income (Federal 1120)—Line 6 less Line 9	

Schedule M-2—ANALYSIS OF UNAPPROPRIATED RETAINED EARNINGS PER BOOKS			
1. Balance at beginning of year		5. Distributions: (a) Cash	
2. Net income per books		(b) Stock	
3. Other increases (itemize)		(c) Property	
		6. Other decreases (itemize)	
		7. TOTAL of Lines 5 and 6	
4. TOTAL of Lines 1, 2 and 3		8. Balance at end of year (Line 4 less Line 7)	

D-20 1997 Corporation Franchise Tax Return



DISTRICT OF COLUMBIA GOVERNMENT
OFFICE OF TAX AND REVENUE

DATE RECEIVED

Taxable year beginning _____, 19____ and ending _____, 19____

NAME OF CORPORATION

D.C. BUSINESS TAX NUMBER
If less than 7 numbers, add
zeros to the left.

D.C. ADDRESS (Number, Street, and Zip Code)

FEDERAL I.D.
NUMBER

MAILING ADDRESS (Number, Street, City, and Zip Code)

NUMBER OF BUSINESS LOCATIONS
In the District: _____
Outside the District: _____

TYPE OF BUSINESS

READ INSTRUCTIONS BEFORE PREPARING RETURN (NON BUSINESS ITEMS TO BE ALLOCATED)

GROSS INCOME

1. GROSS RECEIPTS, LESS RETURNS AND ALLOWANCES	1
2. COST OF GOODS SOLD (Schedule A) AND/OR OPERATIONS (Attach Schedule)	2
3. GROSS PROFIT FROM SALES AND OPERATIONS — Line 1 minus Line 2	3
4. DIVIDENDS (Schedule C)	4
5. INTEREST	5
6. GROSS RENTAL INCOME	6
7. ROYALTIES	7
8. (a) NET CAPITAL GAINS (Attach Copy of federal Schedule D)	8(a)
(b) ORDINARY GAIN (LOSS) FROM PART II, FEDERAL FORM 4797 (Attach Copy of Form 4797)	8(b)
9. OTHER INCOME (Attach Schedule)	9
10. TOTAL GROSS INCOME — Add Lines 3 through 9	10

DEDUCTIONS

11. COMPENSATION OF OFFICERS (Schedule E)			11
12. SALARIES AND WAGES			12
13. REPAIRS			13
14. BAD DEBTS (See Instructions)			14
15. RENT			15
16. TAXES (Schedule I)			16
17. INTEREST			17
18. CONTRIBUTIONS (Attach Schedule)			18
19. AMORTIZATION (Attach federal Form 4562)			19
20. DEPRECIATION (Attach federal Form 4562)			20
21. DEPLETION (Attach Schedule)			21
22. ADVERTISING			22
23. PENSION, PROFIT-SHARING PLANS			23
24. OTHER DEDUCTIONS (Attach Schedule)			24
25. TOTAL DEDUCTIONS — Add Lines 11 through 24			25
26. NET INCOME (Line 10 minus Line 25)			26
27. NET OPERATING LOSS DEDUCTION			27
28. NET INCOME AFTER NET OPERATING LOSS DEDUCTION (Line 26 minus Line 27)			28
29. (a) NON-BUSINESS INCOME (Attach Schedule)	\$		29(a)
(b) EXPENSES RELATED TO NON-BUSINESS INCOME (Attach Schedule)			29(b)
(c) 29(a) minus 29(b) (Attach detailed schedule and explanation)			29(c)

Taxable Income

30. NET INCOME SUBJECT TO APPORTIONMENT (Line 28 minus 29(c))	\$	30
31. D.C. APPORTIONMENT FACTOR (from Line 5, Schedule K). If none, enter "zero."		31
32. NET INCOME FROM TRADE OR BUSINESS APPORTIONED TO THE DISTRICT (Line 30 multiplied by Line 31)	\$	32
33. PORTION OF LINE 29(c) ATTRIBUTABLE TO D.C. (Submit schedule)		33
34. TOTAL DISTRICT TAXABLE INCOME — Line 32 plus or minus Line 33	\$	34

TAX

35. TAX (9.975% of Line 34). If less than \$100.00, enter \$100.00		35
36. (a) TAX PAID, IF ANY, WITH APPLICATION FOR EXTENSION OF TIME	\$	36(a)
(b) 1997 ESTIMATED TAX PAYMENTS		36(b)
(c) ECONOMIC DEVELOPMENT ZONES INCENTIVE CREDIT (From Schedule D)		36(c)
37. ADD LINES 36(a), 36(b) and 36(c) AND ENTER TOTAL	\$	37
38. TAX DUE (Line 35 minus Line 37 if Line 35 is greater than Line 37)	\$	38
39. PENALTY \$ _____ INTEREST \$ _____ TOTAL PENALTY AND INTEREST		39
40. TOTAL DUE. ADD LINES 38 AND 39. PAY IN FULL.		40
41. OVERPAYMENT (Line 37 minus Line 35 if Line 37 is greater than Line 35)	\$	41
42a. CREDIT TO 1998 ESTIMATED TAX \$ _____ 42b. TO BE REFUNDED — Line 41 minus Line 42a. \$ _____		42(b)

Under penalties of law, including criminal penalties for false statements and tax preparer penalties under D.C. Code §22-2514 and §47-161, et seq., I declare that I have examined this return and, to the best of my knowledge and belief, it is true, correct, and complete. If prepared by a person other than the taxpayer, this declaration is based on all information available to the preparer.

CORPORATE SEAL	SIGNATURE OF OFFICER	TITLE	DATE
	SIGNATURE OF PREPARER (Other than Taxpayer)	ADDRESS	DATE

MAILING INSTRUCTIONS: Make check payable to the D.C. Treasurer. (Include D.C. business tax number and tax year on your payment). Mail this return and payment to the Office of Tax and Revenue, Ben Franklin Station, P.O. Box 601, Washington, D.C. 20044-0601, on or before the 15th day of the third month following the close of the taxable year.

97-0026 PM-5

Column 1 — Credit Category	Column 2	Column 3	Column 4
A. Certified employees wages	Total Wages \$	50% of Wages Col. 2 × .50 =	
B. Certified employees workman's compensation liability insurance premiums	Total Premiums \$	50% of Premiums Col. 2 × .50 =	
C. Child care center rent (lessor)	Rental market value	\$	
	Less rent shown on lease agreement	\$	
	Total child care center credit		
	Total of Column 4		\$
	Add credit carry forward from previous year		
	Total EDZI credit (enter on Line 36 (C), page 1		\$

Col. 1 Name and Address of Officer	Col. 2 Official Title	Col. 3 Time Devoted to Business	Percent of Corporation Stock Owned		Col. 6 Amount of Compensation	Col. 7 Expense Account Allowances
			Col. 4 Common	Col. 5 Preferred		
TOTAL COMPENSATION OF OFFICERS (enter also on Line 11, page 1)					\$	

Schedule G—DEPRECIATION (See instruction for Line 20) (Attach copy of federal Form 4562)

EXPLANATION	AMOUNT	EXPLANATION	AMOUNT
	\$		\$
		TOTAL (enter on Line 16, page 1)	\$

Schedule J—RECONCILIATION OF NET INCOME REPORTED IN FEDERAL AND DISTRICT OF COLUMBIA RETURNS

1. Taxable income before net operating loss deduction and special deductions (Page 1 of Federal return) \$ _____ UNALLOWABLE DEDUCTIONS AND ADDITIONAL INCOME 2. State income taxes 3. District of Columbia income taxes and franchise taxes imposed by D.C. Revenue Act of 1947, as amended 4. Interest on obligations of states, territories of the U.S. or any Political Subdivision thereof 5. Other unallowable deductions and additional income (itemize): (a) (b) 6. TOTAL (Lines 1 to 5) \$ _____	7. Total taxable income reported (Line 34, page 1) \$ _____ NONTAXABLE INCOME AND ADDITIONAL DEDUCTIONS 8. Net income apportioned or allocated outside the District of Columbia 9. Other nontaxable income and additional deductions (itemize): (a) (b) 10. TOTAL (Lines 7 to 9) \$ _____
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Schedule K—APPORTIONMENT FACTOR (See instructions) (Carry all factors to six decimal places)

	Col. 1 TOTAL	Col. 2 IN D.C.	Col. 3 FACTOR (Col. 2 divided by Col. 1)
1. PROPERTY FACTOR: Average value of real estate and tangible personal property owned or rented to and used by the corporation (Financial institutions do not complete this item)	\$ _____	\$ _____	_____
2. PAYROLL FACTOR: Total compensation paid or accrued by the corporation ...	\$ _____	\$ _____	_____
3. SALES FACTOR: All gross receipts of the corporation other than gross receipts from items of non-business income	\$ _____	\$ _____	_____
4. SUM OF FACTORS: (Add Column 3)	_____	_____	_____
5. APPORTIONMENT FACTOR: Line 4 divided by 3; or 3 reduced by the number of factors without denominator	_____	_____	_____

Note: Financial institutions using a two factor formula should divide Line 4 by 2.

SUPPLEMENTAL INFORMATION

1. STATE AND COUNTRY OF INCORPORATION		2. DATE OF INCORPORATION		3. IRS SERVICE CENTER WHERE FEDERAL INCOME TAX RETURN WAS FILED FOR PERIOD COVERED BY THIS RETURN:	
4. THE CORPORATION'S BOOKS ARE IN CARE OF				5. LOCATED AT	
6. During 1997, has the Internal Revenue Service made or proposed any adjustments in your federal income tax returns, or did you file any amended returns with the Internal Revenue Service? <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes", separately submit a detailed statement, unless previously submitted, to the address shown in instruction E.					
<input type="checkbox"/> Detailed statement submitted on: _____ (date)					
7. Is this corporation affiliated with a partnership or another corporation?		Yes <input type="checkbox"/> No <input type="checkbox"/>	If yes, explain:		
8. Is this return made on the accrual basis?		<input type="checkbox"/> <input type="checkbox"/>	If not, state basis used: <input type="checkbox"/> Cash Basis <input type="checkbox"/> Other (specify)		
9. Did you file a franchise tax return with the District of Columbia for the year 1996?		<input type="checkbox"/> <input type="checkbox"/>	If not, state reason:		
10. Did you withhold D.C. income tax from the wages of your employees during 1997?		<input type="checkbox"/> <input type="checkbox"/>	If not, state reason:		
11. Have you filed annual information returns, forms 1096 and 1099, pertaining to payment of dividends and interest for 1997?		<input type="checkbox"/> <input type="checkbox"/>			
12. (a) Has business been terminated?		<input type="checkbox"/> <input type="checkbox"/>	If yes, explain and give date:		
(b) Have you moved out of D.C.?		<input type="checkbox"/> <input type="checkbox"/>			
13. Did you file a 1997 D.C. Arena fee return?		<input type="checkbox"/> <input type="checkbox"/>			

Schedule L—BALANCE SHEETS

	BEGINNING OF TAXABLE YEAR		END OF TAXABLE YEAR	
	(A) AMOUNT	(B) TOTAL	(A) AMOUNT	(B) TOTAL
ASSETS				
1. Cash				
2. Trade notes and accounts receivable				
(a) LESS: Allowance for bad debts				
3. Inventories				
4. Gov't obligations: (a) U.S. and instrumentalities				
(b) State, subdivisions thereof, etc.				
5. Other current assets (attach schedule)				
6. Loans to stockholders				
7. Mortgage and real estate loans				
8. Other investments (attach schedule)				
9. Building and other fixed depreciable assets				
(a) LESS: Accumulated depreciation				
10. Depletable assets				
(a) LESS: Accumulated depletion				
11. Land (net of any amortization)				
12. Intangible assets (amortizable only)				
(a) LESS: Accumulated amortization				
13. Other assets (attach schedule)				
14. TOTAL ASSETS				
LIABILITIES AND CAPITAL				
15. Accounts payable				
16. Mortgages, notes, bonds payable in less than 1 year				
17. Other current liabilities (attach schedule)				
18. Loans from stockholders				
19. Mortgages, notes bonds payable in 1 year or more				
20. Other liabilities (attach schedule)				
21. Capital stock: (a) Preferred stock				
(b) Common stock				
22. Paid-in or capital surplus (attach reconciliation)				
23. Retained earnings-Appropriated (attach schedule)				
24. Retained earnings-Unappropriated				
25. LESS: Cost of treasury stock		()		()
26. TOTAL LIABILITIES AND CAPITAL				

Schedule M—RECONCILIATION OF INCOME AND ANALYSIS OF UNAPPROPRIATED RETAINED EARNINGS PER BOOKS
(Copy from Federal Form 1120)

Itemized entries made below must be identified by account.

Schedule M-1—RECONCILIATION OF INCOME PER BOOKS WITH INCOME PER RETURN

1. Net income per books		7. Income recorded on books this year not included in this return (itemize) (a) Tax-exempt interest . \$	
2. Federal income tax			
3. Excess of capital losses over capital gains			
4. Taxable income not recorded on books this year (itemize)			
5. Expenses recorded on books this year not deducted in this return (itemize) (a) Depreciation \$		8. Deductions in this tax return not charged against book income this year (itemize) (a) Depreciation \$	
(b) Depletion \$		(b) Depletion \$	
6. TOTAL of Lines 1 through 5		9. TOTAL of Lines 7 and 8	
		10. Income (Federal 1120)—Line 6 less Line 9	

Schedule M-2—ANALYSIS OF UNAPPROPRIATED RETAINED EARNINGS PER BOOKS

1. Balance at beginning of year		5. Distributions: (a) Cash	
2. Net income per books		(b) Stock	
3. Other increases (itemize)		(c) Property	
		6. Other decreases (itemize)	
4. TOTAL of Lines 1, 2 and 3		7. TOTAL of Lines 5 and 6	
		8. Balance at end of year (Line 4 less Line 7)	

<h1 style="margin: 0;">FR-128 1997</h1> <p style="margin: 0;">Extension of Time to File D.C. FRANCHISE OR PARTNERSHIP RETURN</p>		<p>★ ★ ★</p> <p>DISTRICT OF COLUMBIA GOVERNMENT OFFICE OF TAX AND REVENUE</p>		
Taxable Year Beginning _____ 19____ and ending _____ 19____			DATE RECEIVED	
ENTITY NAME		D.C. BUSINESS TAX NUMBER		
NUMBER AND STREET OR RURAL ROUTE		FEDERAL I.D. NUMBER		
CITY OR TOWN, STATE AND ZIP CODE				
Application for Extension of Time. Submit this form along with your payment of any tax due as shown on Line 6 below.				
1. A 6-month extension of time until _____ 15, 1998, for the calendar year 1997, or a 6-month extension of time until _____, 19____, for a fiscal year ending _____, 19____ is hereby requested to file the following District of Columbia return (check one): <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <input type="checkbox"/> Corporation Franchise Tax Return, Form D-20. <input type="checkbox"/> Unincorporated Business Franchise Tax Return, Form D-30. <input type="checkbox"/> Partnership Return of Income, Form D-65. </div>				
2. Total tax liability for the tax period.....			2	
3. Franchise estimated tax payments (include overpayment credit).....			3	
4. Other payments.....			4	
5. Total payments and credits. Add Lines 3 and 4.....			5	
6. Balance due (Line 2 minus Line 5). Payment in full must be submitted with this form or your application request will not be accepted. (Note: You will be subject to failure-to-pay penalty on any amount of tax due in excess of the amount paid with this extension request).....			6	
Taxpayer(s) Signature(s) (See instructions.)				Date

INSTRUCTIONS

PURPOSE – A taxpayer must use Form FR-128 to request a 6-month extension of time in order to file a Corporation Franchise Tax Return (Form D-20), Unincorporated Business Franchise Tax Return (Form D-30), or Partnership Return of Income (Form D-65).

WHEN TO FILE – The application for extension of time to file must be submitted on or before the due date of the return.

WHERE TO SUBMIT RETURN – Mail the completed FR-128 with your payment of any tax due to the Office of Tax and Revenue, 441 4th Street, N.W., Suite 810S, Washington, D.C. 20001. Be sure to properly sign and date the FR-128.

APPLICATION FOR EXTENSION OF TIME – A 6-month extension of time will be granted if you complete the form properly, file it on time and PAY with it the amount of tax due shown on Line 6. You need only submit one application form. Do not file in duplicate. **However, a copy must be attached to your return when filed.** A separate application must be submitted for each return. Blanket requests for extensions will not be granted.

APPLICATION FOR ADDITIONAL EXTENSION OF TIME – No additional extension of time will be granted beyond the 6-month extension of time, unless the taxpayer is outside the continental limits of the United States.

FEDERAL EXTENSION FORMS – The Office of Tax and Revenue does not accept copies of federal application forms. **YOU MUST USE THIS APPLICATION FORM ONLY.**

PENALTIES – The penalty for failure to file a return on time or failure to pay any tax due is 5% of the unpaid portion of tax due. The penalty is computed for each month, or fraction thereof, that such failure to file or pay continues. Penalty shall not exceed 25% of the tax due.

INTEREST – Interest at the rate of 1.5% per month or portion of a month (18 percent per annum) must be paid on any tax not paid on time. Interest is computed from the due date of the return even though an extension of time to file the return is granted.

SIGNATURE – The application must be signed by the following:

- **CORPORATION**
Any designated or authorized officer of the corporation.
- **UNINCORPORATED BUSINESS**
Any owner or member of the unincorporated business.
- **PARTNERSHIP**
Any member of the partnership.

If receivers, trustees in bankruptcy, or assignees are in control of the property or business of the organization, such receivers, trustees, or assignees must sign the application.

<b style="font-size: 24pt;">FR-128 1997 Extension of Time to File D.C. FRANCHISE OR PARTNERSHIP RETURN		★ ★ ★ DISTRICT OF COLUMBIA GOVERNMENT OFFICE OF TAX AND REVENUE			
Taxable Year Beginning _____, 19____ and ending _____, 19____				DATE RECEIVED	
ENTITY NAME			D.C. BUSINESS TAX NUMBER		
NUMBER AND STREET OR RURAL ROUTE			FEDERAL I.D. NUMBER		
CITY OR TOWN, STATE AND ZIP CODE					
Application for Extension of Time. Submit this form along with your payment of any tax due as shown on Line 6 below.					
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2. Total tax liability for the tax period.....				2	
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4. Other payments.....				4	
5. Total payments and credits. Add Lines 3 and 4.....				5	
6. Balance due (Line 2 minus Line 5). Payment in full must be submitted with this form or your application request will not be accepted. (Note: You will be subject to failure-to-pay penalty on any amount of tax due in excess of the amount paid with this extension request).....				6	
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- **UNINCORPORATED BUSINESS**
Any owner or member of the unincorporated business.
- **PARTNERSHIP**
Any member of the partnership.

If receivers, trustees in bankruptcy, or assignees are in control of the property or business of the organization, such receivers, trustees, or assignees must sign the application.